

Testimony of James Kunder, Assistant Administrator for Asia and The Near East

Before Chairman James Kolbe and The Subcommittee on Foreign Operations, Export Financing And Related Programs of The U.S. House of Representatives Committee on Appropriations

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Mr. Chairman, Congresswoman Lowey, and other distinguished Members of the Subcommittee; it is a pleasure to have the opportunity to appear before the Subcommittee on Foreign Operations of the House Appropriations Committee. This is my first time appearing before your distinguished Subcommittee and I would like to recognize your essential support for the reconstruction of Afghanistan and Iraq; the response in funding for the South Asian Tsunami and all of USAID's other development efforts throughout the Asia and Near East Region as well as around the world.

I am honored to be able to join Acting Assistant Secretary for International Narcotics and Law Enforcement Affairs Nancy Powell as we discuss U.S. Government counternarcotics programs. My testimony today will first address USAID's counternarcotics experience in the Andean Region, successes and lessons learned, and then introduce our Alternative Livelihoods program in Afghanistan.

Although there are vast differences between the two regions that we will be discussing, we are applying the lessons learned from our experiences in the Andes in our efforts in South Asia. Our counternarcotic accomplishments in the Andes have come after recognizing that strong National government institutions, political will, public buy-in, viable economic alternatives to drugs, and rule-of-law are all needed in concert with eradication and interdiction programs in order to reach our targets.

Andean Counterdrug Initiative and Plan Colombia

Mr. Chairman, in the Andean Region USAID assistance is working and we are disrupting the cultivation of coca and opium poppy, thus contributing to the achievement of the President's vision for a secure, stable and prosperous Western Hemisphere.

The strategy behind Plan Colombia and the Andean Counterdrug Initiative is simple: economic development, security and peace are inextricably linked. Strengthening the capacity of the State is key to the success of any national counternarcotics plan. The threats posed by narcotics traffickers and terrorists arose from a combination of: insufficient resources, lack of political force, and the debilitating impact of weak justice system. US Government experience to date shows that taking away money generated by drugs reduces the war-making capacity of narco-traffickers, criminals, and terrorist groups and thereby reduces the level of violence which enhances the prospects for economic progress and peace.

Important Achievements to Date

After years of steady increases, cocaine production in the Andes is, for the third straight year, decreasing. The experience in Colombia is illustrative of what we are doing in the entire Andean Region. An aggressive program of eradication, begun in earnest with the election in mid-2002 of Colombian President Alvaro Uribe, has cut Colombia's potential cocaine production by one-third, since 2001.

Started in Fiscal Year 2001 under "Plan Colombia", the United States Government's Andean Counterdrug Initiative (ACI) has three goals: 1) disrupt the production and trafficking of illicit drugs in the Andean region; 2) strengthen law enforcement and judicial institutions that combat narco-trafficking; and 3) develop viable alternatives to illegal drug production. Working in close partnership with President Uribe's administration, USAID's assistance has helped to expand and improve state presence, strengthen democracy, help local governments deliver essential services to marginalized Colombians, create licit economic opportunities, improve social conditions, and resettle internally displaced people.

In 2001, it was estimated that 125,000 to 150,000 families were involved in illicit drug production in Colombia. Today, we are pleased to report on several significant accomplishments of the USAID program. The program has assisted more than 55,000 rural families who have abandoned their coca fields and are now able to participate in licit income-generating activities throughout Colombia.

To help program participants benefit more fully from their decision to disassociate themselves from nefarious and illegal drug-related activities, USAID has completed more than 900 social and productive infrastructure projects, and strengthened the administrative, financial, accounting and auditing capabilities in 90 municipalities to help them better serve their communities. This has given remotely situated and largely neglected communities renewed hope and security in the values and benefits of democracy, and the legitimacy and reliability of state-provided services, as they now have greater access to clean water; health delivery systems; education facilities for both adults and children; workforce skills improvement; and reliable markets for their high value agricultural goods. This has occurred in many areas where narco-traffickers and illegal armed groups used to be the de facto authorities and previously provided only minimal levels of social services. At today's prices, the legal agricultural economy in the coca growing regions is larger than the coca economy.

This milestone achievement has been made possible through USAID's approach to fostering expansion of licit economic opportunities and support for greater international trade. We have accomplished this by strengthening local and national institutions, NGOs, and civil society; establishing productive infrastructure; implementing profitable productive activities; promoting the sustainable management of natural resources; and helping the private sector capitalize on market opportunities to expand its trade linkages.

In this context, building trade capacity is vital to bringing economic stability to Colombia. USAID is providing resources to finance a range of competitive agro-processing and cultivation expansion activities, and anticipates leveraging upwards of \$200 million in private sector financing overall. This program is also supporting securitized bond issuances designed to provide sustainable capital market financing for long-term commercial crop production and processing projects. Additionally, under the Colombia Forestry Project, USAID is working with farmers and agro-forestry businesses to develop employment-intensive and environmentally sustainable, vertically integrated forest-based enterprises.

USAID's administration of justice program is helping to increase the efficiency of Colombia's judicial sector, institutionalize a system of fair trials and provide greater access to justice for millions of poor Colombians. The program has established 38 Justice Houses (Casas de Justicia) to increase the access to justice and government services, and have administered more than 3.1 million cases, easing the burden on the over-stretched judicial system. Strikingly, the Department of Justice and USAID administration of justice initiatives have established 35 new oral trial courtrooms and trained over 10,000 lawyers, judges and public defenders in the new accusatory criminal justice system procedures which are designed to reduce impunity, hasten the judicial process, significantly reduce the cost of trying a case, and enhance the overall credibility and transparency of the judicial system..

To protect program participants from harassment, physical harm and abuses by narco-traffickers and illegal armed groups, USAID assisted with the establishment of an "Early Warning System" (EWS) which monitors potential conditions that might trigger human rights violations and thereby provides warnings of impending threats. To date, more than 350 alerts have been issued by the EWS which have resulted in 200 responses by Colombian Government agencies. To assist the Government of Colombia in responding quickly to allegations of human rights violations, USAID has helped the Government of Colombia establish 11 new mobile satellite units, several of which are located in the most remote areas of the country. In addition, the USAID human rights protection program has protected more than 4,300 people, including mayors, local human rights officials, council members, municipal human rights workers, medical workers, and journalists. Furthermore, 87 offices under threat of violence have been armored and made safe.

Together, these projects are creating a civil and human rights protection infrastructure-and a climate of respect-so that the Colombian Government may be able to prevent or be more responsive to human rights violations. By providing protection to these individuals and offices, we are playing an increasingly important role in ensuring the ability of Colombia's leaders, human rights defenders, and local officials, to conduct activities in as secure an environment as possible.

Another area in which USAID's involvement has been important to President Uribe's bold efforts to combat the influence of the drug lords is in providing assistance to vulnerable groups, particularly Internally Displaced Persons (IDPs), and victims of drug-related violence. This assistance, administered by USAID and the State Department's Bureau for Population, Migration, and Refugees includes food, shelter, psychosocial assistance, health services, community strengthening, income and employment generation, access to education and workforce skills training,

and rehabilitation of child ex-combatants. Our assistance is also strengthening the Colombian agency responsible for IDP coordination, protection, and border monitoring, the Social Security Network. The program has an impressive nation-wide presence and runs more than 300 projects in 25 departments and 200 municipalities throughout the country.

Between 2001 and 2005, USAID's IDP program has helped more than 2.2 million persons by providing viable livelihood and employment options. This also discourages families from resorting to the cultivation of illicit crops. More than 52,000 jobs have been created for IDPs and for youth at risk of displacement or recruitment by illegal armed groups. IDP programs have provided vocational and skill development training for nearly 30,000 IDPs to participate in the formal economy.

Lessons Learned:

United States Government experiences during the last four years have shown that Andean Counterdrug Initiative (ACI) and Plan Colombia's basic strategic tenets were sound, but our understanding of narco-traffickers' motivations and behavior has grown substantially during the past four years. We have learned that illegal groups are drawn toward areas where there is no effective state presence, and that Governments must assert control over their entire national territory and extend essential government services to citizens in isolated areas if the narco-traffickers and terrorists are to be defeated.

Military and police assistance programs are an essential first step toward establishing such Government control and the presence that provides basic security which is essential for economic and social development. But police and military assistance alone are not sufficient. A national Government presence must include support from national institutions that are responsible for helping local communities gain access to basic services: security, justice, health, education, and essential infrastructure. The institutional strengthening side of counternarcotics programs is consequently an essential complement to military and police assistance if the national Government is to establish a relationship with people in isolated rural areas and gain their allegiance after having ignored their needs for decades. Security and essential services must then be linked with economic and employment assistance in order to make eradication of drug crops sustainable.

Public diplomacy has long been recognized as an important component of the United States Government's counternarcotics efforts, but we have seen during the past several years that our public diplomacy programs must confront narco-trafficker propaganda to ensure that alternative development programs are well understood by the average citizen and that people know how narco-trafficking harms not only the people who use drugs, but also harms their country, economy, environment, justice system, and democracy.

Another important lesson is that narco-trafficking has an important regional dimension and is not simply a national problem. This regional dimension results from narco-traffickers' tendency of seeking to move to new areas when they are confronted by eradication and interdiction pressures.

Narco-traffickers and terrorists have demonstrated that they are a dangerous and resilient force. Our successes to date, should stiffen our resolve to confront the traffickers, who are fighting back and reconstituting fields more rapidly than we have seen in the past.

For the out years we are working across the government to define the best strategy to build upon our experiences with Plan Colombia and the ACI. These experiences suggest that the following concepts, programs, or activities should be part of our follow-on efforts:

- State presence should be expanded with support from national institutions.
- Military and police assistance to guarantee that national governments maintain control over key production areas and lines of communication to disrupt large-scale coca and cocaine production.
- Interdiction and eradication programs that disrupt illicit drug production and increase the risks and costs of narco-trafficking activities.
- Alternative development to increase licit employment and stimulate income earning activities.
- Private sector support to improve policies and increase investment and trade opportunities.
- Administration of justice activities that reduce impunity and increase access to justice.
- Human rights programs and activities as an essential complement to military, police and judicial sector assistance
- Humanitarian assistance and peace initiatives as an important outgrowth of expanded state presence.

Mr. Chairman, let me conclude this section of my testimony by stating that while we have made significant progress

in achieving our objectives under Plan Colombia and the Andean Counterdrug Initiative, the job is not done.

We must continue our efforts. Solving the Andean Region's multiple and interrelated problems is going to require time and patience. We must stay the course, and apply lessons learned for continued and increased effectiveness of our integrated development program. As Secretary of State, Condoleezza Rice stated during her last visit to Colombia, "You don't stop in midstream on something that has been very effective. It took a long time to get this program started, and it's going to take a while to eliminate the problem."

USAID's counternarcotics development strategy must be dynamic and able to respond quickly to changes in narco-trafficker operations. Sustainable income creation means that economic opportunities must be diversified beyond the coca field and employment must be expanded where it is cost effective to do so. Land, labor and capital markets must be integrated to support the shift away from illicit activities. We must continue our efforts to help the Andean Region build its trade capacity and take advantage of more open markets and continue to support efforts in citizen rights, participation, and rule of law.

Afghanistan

President Bush's National Security Strategy pledges that the United States will provide assistance to "rebuild Afghanistan so that it will never again abuse its people, threaten its neighbors, and provide a haven for terrorists." In support of this pledge, the State Department and USAID have developed a joint strategic plan that specifically provides for continued commitment of assistance to Afghanistan as a priority. Because Afghanistan is in the front line of the war on terror, the U.S. Government (USG) and USAID in particular are in a unique position to respond with appropriate programs to create new opportunities for this deserving population. The USAID Mission in Afghanistan plays a key role in the reconstruction and development of the country and works closely with other USG agencies, including the military, on program development and implementation. Areas of USAID support include: economic growth, particularly economic policy and regulation and expanded rural incomes; access to basic health services particularly for women and children; increased access to basic education; and the growth of democratic practice through support to elections, media, and civil society.

The production, processing and trafficking of the opium poppy and its derivatives in Afghanistan has become a critical problem that threatens both the security of the Afghan state as well as U.S efforts to stabilize and reconstruct the country. An estimated 2.3 million people are involved in Afghanistan's opium economy, which constitutes approximately 60% of the country's non-drug gross domestic product. Poppy is produced in all of Afghanistan's provinces, and is grown on approximately 4.5% of all arable land nationwide.

Since poppy production is such a fundamental part of the Afghan economy, I would like to address what the U.S. Government is doing to provide the economic incentives needed to complement the deterrent effects of the other parts of our counter-narcotics strategy. Our efforts involve a comprehensive five-pillar program that includes law enforcement, interdiction, eradication, alternative livelihood projects and public information campaigns.

The 3-year Alternative Livelihoods program led by USAID seeks to increase the benefits of participation in the legal economy and accelerate economic growth in the principal poppy-producing provinces of Afghanistan. The combination of increasing the cost and risk of producing poppy while providing viable economic alternatives to the illicit crop is the key to our counter-narcotics strategy.

The alternative livelihoods program commenced last Fall with cash-for-work projects in Helmand and Nangarhar, the two largest poppy-producing provinces in Afghanistan. This first component of the alternative livelihoods program is providing an immediate alternative source of income to households that are heavily dependent on the opium economy. Through these quick impact activities we are also building or rehabilitating critically needed rural infrastructure, such as irrigation and drainage canals, which are essential to alternative agricultural production.

Moreover these projects are highly visible and demonstrate to farmers that the Afghan government is committed to providing alternatives to poppy production. In these two provinces, USAID's projects have employed over 26,000 people daily and improved irrigation for over 8,000 hectares of farmland. Unfortunately, we had to suspend the program in Helmand province, where 14,000 people had been employed daily, following the killing of our contractor's staff in late May. We expect to resume these activities soon, albeit with increased security measures.

We have also launched what we call a 'comprehensive component' of the alternative livelihoods program. This is an approach that promotes sustainable development over time, in regions of the country that are most affected by poppy production. Through a competitive bidding process earlier this year we awarded three contracts totaling \$280 million to implement this portion of our program over the next several years. Activities such as fruit and vegetable

orchard development and forestry projects are beginning in Nangarhar, while plans are nearly finalized for a national seed and fertilizer program to begin in September. The program is carried out in partnership with the Afghan Ministry of Rural Reconstruction and Development, the Ministry of Agriculture and the Ministry of Counter-narcotics, as well as provincial and district-level representatives, in order to ensure that Afghans are closely involved in the planning and implementation of the program. The new counter-narcotics Minister met with USAID in Washington last week and he commented on the high quality of coordination among the Ministries in Kabul.

While our efforts currently target six high-priority provinces (Helmand, Kandahar, Nangarhar, Laghman, Badakhshan and Takhar), we have plans to expand activities in five other provinces where cultivation may be expanding or where there has been a concerted effort to eliminate narcotics. An estimated 85% of Afghanistan's poppy cultivation occurs in these eleven provinces. For those provinces that demonstrate a record of tackling poppy cultivation, we have established a good performer's fund to reward their efforts. However, expansion will be slowed somewhat by the need to set aside more funds than anticipated for security.

Initiatives of the Afghan government, such as the National Solidarity Program, are already in place and will complement the Agency's alternative livelihoods activities. And as Ambassador Powell indicated, we are also closely coordinating our work with other donors, particularly the United Kingdom, in order to ensure that resources are most effectively allocated to the areas of highest priority. The UK, for example, is taking the lead on capacity-building for the new Counter-narcotics Ministry.

While the alternative livelihoods program is designed to respond to the needs at the local level, there are a number of common activities across provinces:

First, a substantial effort to augment national agricultural productivity and increase the production of high-value crops through the timely provision of agricultural inputs, training, and extension.

Second, the development and expansion of credit markets and financial services in order to provide the stimulus needed for investment in local businesses both on and off the farm. Business development services will complement financial services by providing training in accounting, marketing, and the other critical aspects of business management that will increase Afghan managerial acumen and build upon the strong entrepreneurial culture that already exists in the country.

Third, the rehabilitation or construction of market centers, roads, cold storage facilities and other physical infrastructure that will provide the public goods necessary to facilitate trade and provide a platform for local businesses to grow and thrive.

Fourth, a concerted effort to develop new internal and export markets for Afghan products, in order to secure higher prices and greater trade volumes for burgeoning local businesses.

Finally, sustained engagement with local officials in order to promote policies and rules that support competition and fair business practices, and remove administrative barriers that hinder the creation, operation, and growth of local businesses.

Since there is no licit crop that can compete with the profitability of poppy production in the short term, our Alternative Livelihoods program includes activities that stimulate other sectors of the economy as well as agriculture. These activities are also complemented by existing USAID programs that promote good economic governance and strengthen the rule of law, which are essential for contract enforcement and transparent governance. USAID and other donors are helping the Afghan government improve delivery of health, education and other basic services in all of these provinces. Ongoing work in land titling is strengthening the property rights regime in Afghanistan, and will be a major spur to the provision of credit as new sources of collateral emerge.

Further, our economic growth activities are identifying areas of strategic competitiveness for the Afghan economy, and these programs will be complemented by efforts to integrate Afghanistan into regional trade frameworks such as the South Asia Free Trade Agreement.

USAID's Alternative Livelihood efforts are closely coordinated with other U.S. government agencies as part of the overall counter-narcotics strategy of the U.S. Embassy Kabul. This is very important. Our Alternative Livelihoods program cannot succeed without the other pillars that Ambassador Powell outlined. The new poppy elimination program (PEP) – that was recently developed by the Embassy – should bring further synergy to USG efforts to

tackle poppy cultivation and USAID strongly supports this approach.

While we are confident of our results achieved thus far and our plans for the future, we are cognizant of the challenges we may face in this counter-narcotics effort. First, security remains a vital concern. As we work in new areas there will be a need for accurate assessments of the threat situation. Second, there are varying levels of capacity within local governments in Afghanistan. If local leaders lack managerial capacity or political will, our progress will be hindered. Third, because poppy production is mobile, cultivation could shift to areas where there are no alternative livelihoods programs or sufficient rural development initiatives.

We are fully aware of the pitfalls. However, we believe that the full implementation of the overall counter-narcotics program – that Ambassador Powell described – provides strong disincentives against growing poppy while offering concrete incentives for adopting alternative crops and obtaining sources of agricultural as well as non-agricultural employment. And it is this mix of carrots and sticks that can begin to turn the situation around.

I appreciate the opportunity to provide this information to the Subcommittee, and will be pleased to answer questions.